

Message Text

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ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-02 PA-01 PRS-01 NEA-10 INT-05

IO-10 /118 W

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P 31400 DEC 75

FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC PRIORITY 5857

INFO AMEMBASSY PARIS PRIORITY

AMEMBASSY PRETORIA

AMEMBASSY BRUSSELS PRIORITY

C O N F I D E N T I A L KINSHASA 11093

DEPT PASS EXIM, OPIC, TREASURY AND COMMERCE

E.O. 11652: GDS

TAGS: EMIN, EFIN, EINV, CG, US

SUBJECT: FUTURE OF INGA-SHABA POWER LINE

REF: STATE 301319; KINSHASA 11031 (NOTAL)

1. WE ARE CONCERNED LEST CONTEMPLATED DECISION TO MOTH-BALL SMTF PROJECT JEOPARDIZE COMPLETION OF INGA SHABA POWER LINE. EVEN IF COMPLETION OF SMTF IS INDEFINITELY DELAYED, COMPLETION OF INGA-SHABA POWER LINE IS ESSENTIAL FOR PROPOSED 150,000 ANNUAL TONS GECAMINE EXPANSION WHICH WE UNDERSTAND PROCEEDING MORE OR LESS ON SCHEDULE. IN FACT, WE UNDERSTAND THAT GECAMINES HAS ALREADY MADE MAJOR PORTION OF ITS INVESTMENT IN THE PROJECT AND THAT IBRD, LIBYANS AND EUROPEAN DEVELOPMENT BANK DISBURSEMENTS SHOULD BEGIN IN NEAR FUTURE. DEPT MAY WISH TO CHECK WITH IBRD HEADQUARTERS FOR LATEST STATUS. IT SHOULD BE RECALLED THAT
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GECAMINES EXPANSION IS ONE MORE BENEFIT TO GOZ ECONOMY THAN SMTF BECAUSE ITS PRODUCTION IS GREATER AND BECAUSE REPAYMENT OF INVESTMENT COSTS MORE EVENTLY SPACED.

2. IF INGA-SHABA POWER LINE, SMTF PROJECT, AND GECAMINES EXPANSION WERE ALL BEING CONSIDERED "DE NOVO", PLAUSIBLE ARGUMENT BE PROFITABLE WITHOUT BOTH SMTF AND GECAMINES EXPANSION. HOWEVER, SUBSTANTIAL INVESTMENTS HAVE ALREADY BEEN MADE IN ALL THREE PROJECTS, PARTICULARLY IN INGA-SHABA. EXIM'S APPROXIMATE \$250 MILLION INGA-SHABA EXPOSURE COMES INTO JEOPARDY IF POWER LINE IS NOT COMPLETED AND GECAMINES EXPANSION WOULD HAVE TO BE HALTED DESPITE SUBSTANTIAL INVESTMENT ALREADY MADE BY GECAMINES.

3. OBVIOUSLY SNEL MAY HAVE DIFFICULTY IN SERVICING INGA-SHABA LOANS WITHOUT REVENUES FROM BOTH SMTF AND GECAMINES EXPANSION BUT OBLIGATION FOR INGA-SHABA IS BY GOZ AND NOT SNEL. WITH SUBSTANTIAL REVENUES TO GOZ RESULTING FROM GECAMINES EXPANSION, PROSPECTS FOR REPAYMENT OF INGA-SHABA LOANS IMPROVE ACCORDINGLY, WHEREAS REPAYMENT FOR LOANS SHOULD LINE NOT BE COMPLETED BECOMES HIGHLY QUESTIONABLE.

4. CIS REPS TELL US THAT WHILE PROPOSED POWER LINE IS DESIGNED TO PROVIDE NECESSARY POWER FOR BOTH SMTF AND GECAMINES EXPANSION, IT IS TECHNICALLY FEASIBLE TO OPERATE POWER LINE FOR EITHER PROJECT ALONE. FURTHERMORE, INGA-SHABA POWER LINE COULD PROVIDE POWER DURING PERIODIC DEFICITS WHICH SHABA EXPERIENCES AT TIMES OF LOW WATER. PRESENTLY SHABA IMPORTS POWER FROM ZAMBIA TO MEET DIFICITS.
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*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

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